i-watch
INVESTMENT WATCH

by The Manufacturers Life Insurance Company

Alert

i-Watch Rating System:

- No concern(s)
- Moderate concern(s) requiring frequent and close monitoring
- Serious concern(s) that require a full review and may lead to removal from the fund platform

Date	May 20, 2025
Fund Manager	Franklin Templeton
i-Watch Status	**Increased Scrutiny**

Product(s) Impacted:

Manulife Franklin Global Growth Equity Fund (8508) (the Fund)

Summary

- Co-lead Portfolio Manager (PM) Yan Lager has departed Franklin Templeton (the Firm). He was replaced on by Don Huber who had previously managed the strategy until 2021. Performance has also been an ongoing concern.
- There are considerable concerns with the Fund given that adding Huber back to the team is not a long-term solution for the Fund. Performance has also been inconsistent with expectations for this Fund and the degree of underperformance over the last several years raises questions about the Fund's process and ability to deliver on performance objectives for clients.
- The Fund's status has been downgraded from In Good Standing to Increased Scrutiny.

Commentary

In Q4 2024, co-lead PM Yan Lager departed the Firm. To replace Lager, the Firm added Don Huber back to the Fund as co-lead PM with Patrick McKeegan. Huber had previously been the sole lead PM of this strategy before he was removed in 2021 to focus on other portfolios.

Aside from the PM change, the Fund has underperformed over the last several years, and more importantly, does not align with the expected performance blueprint for a growth-oriented fund of this nature.

Impact

At the portfolio management level, seeing Huber return to the PM team is somewhat reassuring. The performance track record under his leadership was quite strong, and the concerns around performance only materialized after he had ceased managing the Fund. That said, his addition is not a long-term solution. Huber is in the later stages of his career, and his removal in 2021 and subsequent passing of the torch to Lager and co-PM Patrick McKeegan would have likely been viewed as the succession plan for this Fund at the time. With his return, there are again questions about future leadership of the Fund.

Patrick McKeegan, who had been co-managing the fund with Lager, remains co-PM with Huber. In addition to being a PM on this Fund, McKeegan is also co-head of the Franklin Global Equity team (the Team). The Firm recently announced that McKeegan would take on sole leadership of the Team following the retirement of current co-head John Remmert in June 2025.

From the perspective of performance outcomes, the Fund has struggled significantly since Huber first left in 2021. The Fund has underperformed the benchmark MSCI World in each of the last four calendar years, ranking in the bottom decile vs. peers for two of those years. The Fund is underperforming the benchmark over all key trailing periods on an annualized basis, with bottom quartile peer relative performance over trailing 1-, 3-, and 5-year periods. Most concerning was performance in 2024 which saw the Fund achieve just a 11.6% return vs. 29.4% for the benchmark. In general, it was a difficult year for active managers to outperform their respective benchmarks, but the magnitude of underperformance in a growth favoured environment is outside our performance expectations for this Fund. The Fund has a bottom quartile Sharpe ratio, and top quartile volatility (as measured by standard deviation), downside capture, and elevated tracking error compared to peers.

Closing Remarks

The lack of a clear long term succession plan for Huber and questions around the overall capacity of the PMs with McKeegan soon taking on additional responsibilities creates concerns around the leadership of this fund. Additionally, portfolio management must show that they can address the root cause of their poor performance that has persisted over the last few years. As a result, the fund’s i-Watch status has been downgraded from In Good Standing to Increased Scrutiny. GMR will monitor this fund closely going forward.